

Protecting Your IP Rights in China: An Overview of the Process

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As manufacturing becomes more concentrated in China, so too does the infringement of the intellectual property embodied in those manufactured goods. Various mechanisms exist to aid the owners of trademarks, patents, and copyrights in the fight against the infringement of their proprietary rights in China. Three vital factors must be considered for effective protection of intellectual property rights in China. First and foremost, obtaining local counsel in China is essential. Moreover, trademark enforcement has emerged as the most effective avenue for owners of various forms of intellectual property to protect their goods. And while enforcement via litigation exists in China, administrative remedies offer quicker and more cost-effective outcomes.

I. INTRODUCTION

This note seeks to give business leaders and corporate attorneys a practical overview of how the infringement of intellectual property (“IP”) rights in the People’s Republic of China (“China”) is combated.

The problem of infringed IP rights is two fold. First, infringing goods sold in China reduce the sales of IP-rights holders and dilute their goodwill within China. It is estimated that 15% to 20% of all well-known brands in China are counterfeit.¹ Second, infringing goods manufactured in China are then exported to other regions, such as Europe, South America, Asia, and the United States, resulting in lost sales world-wide and brand dilution. In 2003, over \$62 million or 66% of all counterfeit goods seized by the U.S. Customs Service were from China.² That figure jumped to over

^{*} J.D., The Ohio State University Moritz College of Law, expected 2007. I dedicate this note to my family, Bassam and Daniel, for their love and support.

¹ Daniel C.K. Chow, statement, *Intellectual Property Protection as Economic Policy: Will China Ever Enforce its IP Laws?*, Roundtable, Congressional-Executive Commission on China (May 16, 2005), available at <http://www.cecc.gov/pages/roundtables/051605/Chow.php>.

² Department of Homeland Security, U.S. Customs and Border Protection and U.S. Immigration and Customs Enforcement, *FY 2004 Top IPR Commodities Seized*, at 4 (Oct. 22, 2004) http://www.cbp.gov/linkhandler/cgov/import/commercial_enforcement/ipr/seizure/trading/top_seizures_04.ctt/top_seizures_04.pdf.

\$87 million in 2004.³ Cigarettes, handbags, clothing, and consumer electronics were the most prevalent counterfeit goods seized.⁴

This Note is divided into seven sections. First, a general strategy for IP protection is set forth. Second, a brief overview of the Chinese judicial system is presented along with further analysis of Chinese IP laws. Third is a discussion of the major centers for the manufacture and distribution of counterfeit goods. Fourth trademark protection is detailed, including an overview, registering a trademark in China, administrative remedies, and litigation. Fifth is an overview of patent protection along with administrative remedies and litigation of patent infringement. Sixth is a discussion of copyright protection, including how to register and protect a copyright in China, administrative remedies, and litigation of copyrights. The criminal sanctions available for each action are also included. Finally, a conclusion of how infringement of IP rights in China is tackled.

To achieve its goal of being useful for practitioners, this note was written with the guidance of both practicing attorneys and leading academics.⁵

II. GENERAL STRATEGY

Three characteristics dominate protecting IP rights in China: (1) obtaining domestic U.S. counsel, (2) enforcing rights via trademark, and (3) utilizing administrative remedies.

First, local businesses and in-house corporate counsel often seek domestic counsel in the United States. The domestic counsel is not simply a middleman. Rather, domestic counsel manage regional infringement abroad by retaining local counsel at partner law firms in China. Chinese local counsel benefit from “a comprehensive understanding of the local culture and legal system,” who also work with designated agents, investigators, and officials in the infringing Chinese jurisdiction.⁶ In-house counsel are urged to not violate ethical duties by taking on matters beyond their competence, which may contribute to the need to retain local counsel in China. Moreover, Chinese IP law is constantly changing to facilitate the development of China’s IP system, which is another consideration that makes retaining local counsel in China essential to full IP protection.

³ *Id.* at 5.

⁴ *Id.*

⁵ The author would like to thank Daniel C.K. Chow, Professor, The Ohio State University Moritz College of Law, and Rosanne T. Yang, Associate, Baker & Hostetler LLP for their guidance.

⁶ Lindsay B. Esler & Annie S.T. Tsoi, Developing an Intellectual Property Protection Strategy for Today’s China, 5 (2005) (unpublished article, on file with Deacons Solicitors & Notaries Hong Kong Office).

Protection Chain⁷

- 1a) Less experienced in-house counsel or companies without in-house counsel often retain domestic counsel; or,
- 1b) More experienced in-house counsel with greater resources may be able to work directly with local counsel in China.
- 2) Domestic counsel or in-house counsel retain local counsel in China.
- 3) Local counsel then contract with designated agents and investigators, as well as deal with the Chinese officials.
- 4) Designated agents and investigators explore potential infringement of IP rights.
- 5) Designated agents file a claim with the administrative authorities. The local counsel, not the designated agent, attends the filing and also accompanies the officers on the raid.
- 6) Administrative authorities perform a raid on a manufacturing or distribution site, with the Chinese counsel and/or agents in attendance.
- 7) Local counsel manages the results of the raid and the case.

Thus, working with local counsel in China is essential to successful enforcement of IP rights.⁸ Additionally, having a legal contact in China can streamline communication between the Chinese officials and the IP-rights holder.⁹ Local counsel can aid in setting up preventative means of protecting IP rights. Larger companies with in-house counsel capable of working directly with Chinese lawyers may benefit from faster, less filtered information. Fortunately, there are a sufficient number of IP law firms operating in China. The tables on the following page list the largest IP law firms, designated agencies, and investigation firms in China, as of July 31, 2004.¹⁰

⁷ Interview with Daniel C.K. Chow, Professor, The Ohio State University Moritz College of Law, in Columbus, Ohio (Fall 2005).

⁸ Lei Wu, *Getting Your IP Strategy Right*, MANAGING INTELL. PROP. ASIA PACIFIC FOCUS 2005, Jan. 2005, <http://www.managingip.com/?Page=17&ISS=12730&SID=495726>.

⁹ *Id.*

¹⁰ *The 40 Biggest IP Firms in the Asia-Pacific*, MANAGING INTELL. PROP. SUPPLEMENT ASIA PACIFIC FOCUS 2004 (Sept. 2004) at 12, <http://www.managingip.com/?Page=17&PUBID=199&ISS=12723&SID=473433&SM=&SearchStr=The%2040%20biggest%20IP%20firms%20in%20the%20Asia-Pacific>; Chow, *supra* note 7.

Law Firms	Total IP Practitioners	Jurisdiction	Number of Offices/ Associated Offices in Asia	Number of Jurisdictions	Total IP Partners
Baker & McKenzie	191	Regional	14	11	31
CCPIT	131	China	5	3	-
China Patent Agent	120	Hong Kong	2	2	-
Kangxin Partners ¹¹	100+	China	2	2	7
Liu Shen & Associates	90	China	1	1	17
Wan Hui Da	83	China	4	1	7
Beijing Trademark & Patent Agency	55	China	6	1	15
Lee & Li	51	Taiwan	5	2	15
Lovells	30	Hong Kong	6	5	5
Deacons	22	Regional	16	8	6

Investigation /Designated Agent Firms	Total IP Practitioners	Jurisdiction	Number of Offices/ Associated Offices in Asia	Number of Jurisdictions	Total IP Partners
CCPIT	131	China	5	3	-
Kangxin Partners ¹²	100+	China	2	2	7
Liu Shen & Associates	90	China	1	1	17
Wan Hui Da	83	China	4	1	8
Beijing Trademark & Patent Agency	55	China	6	1	15
Rouse & Co	36	Regional	10	7	13

Second, among the general strategies of protecting IP rights in China, the use of trademarks is the most effective method of preventing counterfeiting. Chinese copyright and patent authorities are not as well

¹¹ Kangxin Partners P.C. Home Page, <http://www.kangxin.com/newweb/en/index.asp>.

¹² *Id.*

trained or staffed as their trademark counterparts.¹³ Also, overlapping patents, copyrights, or trademarks may protect most products, and finished products generally bear a trademark. Thus, it is possible to stop an infringer from infringing patented or copyrighted products via a trademark action. Also, it is relatively straightforward to register a mark with the appropriate Chinese trademark office. Finally, it is easy for the trademark authorities to make an on-the-spot decision of whether an alleged infringer's mark is identical to the registered mark.¹⁴

Third, the preferred method of enforcing infringed IP rights in China is to petition one of the several administrative authorities for an administrative action.¹⁵ The Chinese civil litigation system is not as sophisticated as the administrative authorities and, consequently, litigation is generally not as practical.¹⁶ Conversely, administrative actions tend to be more flexible, less expensive, and result in the seizure of large quantities of counterfeit products.¹⁷ As a rule of thumb, more complex cases of infringement with high damages are litigated, while smaller, less intricate cases are dealt with administratively.¹⁸ However, defensive protection, in the form of proper registration of IP rights, is far more cost effective than relying on litigation or administrative actions.¹⁹

III. GENERAL CHINESE JURISPRUDENCE

A. Overview of Chinese Judicial System

The Chinese judicial system has four tiers of courts.²⁰ The highest court, operating at the national level, is the Supreme People's Court.²¹ The higher courts operate at the provincial level and are comprised of 32 courts.²² Following the higher courts are the intermediate courts, which operate at the prefecture level and number 403.²³ The lowest courts are the

¹³ Chow, *supra* note 7.

¹⁴ *Id.*

¹⁵ GORDON GAO, INTELLECTUAL PROPERTY ENFORCEMENT STRATEGY IN CHINA i (2000).

¹⁶ Daniel C.K. Chow, *Enforcement Against Counterfeiting in the People's Republic of China*, 20 NW. J. INT'L L. & BUS. 447, 466-67 (2000).

¹⁷ Daniel C.K. Chow, *Organized crime, Local Protectionism, and the Trade in Counterfeit Goods in China*, 14 CHINA ECONOMIC REVIEW 473, 483 (2003).

¹⁸ Esler & Tsoi, *supra* note 6, at 5.

¹⁹ *Id.* at 8.

²⁰ Mo Zhang, *International Civil Litigation in China: A Practical Analysis of the Chinese Judicial System*, 25 B.C. INT'L & COMP. L. REV. 59, 60-61 (2002); see generally ZHONG HUA REN MIN GONG HE GUO MIN SHI SU SONG FA [LAW OF CIVIL PROCEDURES OF THE PEOPLE'S REPUBLIC OF CHINA] (1991).

²¹ Zhang, *supra* note 20, at 60.

²² *Id.* at 60-61.

²³ *Id.*

3,132 trial courts at the county level.²⁴ The jurisdiction of a Chinese court depends on three factors: tier, territory, and subject matter.²⁵

Under the Civil Procedure Law of the People's Republic of China ("CPL"), litigation may commence at the intermediate or higher tiered courts "if the case has a potential significant impact in the areas of their respective jurisdiction."²⁶ China has a "two instance" appeals process.²⁷ Once a final decision by a court has been made, either of the parties may appeal to the next higher tiered court. The ruling of the next higher tiered court is final, and there is no appeal to the second higher tiered court. As such, litigants attempt to initiate their suits in the highest possible court so they can be reviewed by a higher, less biased, and more experienced court.²⁸

Territorial jurisdiction refers to the geographic location of the court and the origin of the dispute. For IP infringement cases, a court has territorial jurisdiction "in the place where the infringer has his domicile or where the infringement takes place."²⁹ Territorial jurisdiction also lies in "the place where the consequence of infringement occurs."³⁰

No regulation explicitly governs the subject matter jurisdiction of international civil litigation in China. However, "[t]he major piece of legislation governing international civil litigation is Part Four of the CPL."³¹ International civil litigation normally begins at the intermediate level because cases involving foreigners are generally deemed to be "major cases having significant impact."³² The Supreme People's Court has mandated that all patent cases be first heard at the intermediate courts.³³ If the damages claimed are above a certain amount, litigation should commence at the high court level.³⁴ The CPL does require that if foreigners or foreign entities desire a lawyer at trial, that lawyer must be Chinese.³⁵

Finally, Chinese jurisprudence is result-oriented, not process-oriented as in the U.S.³⁶ Thus, prior court decisions do not serve as binding precedent because China's civil law system is based on enacted laws and

²⁴ *Id.*

²⁵ *Id.* at 64-68.

²⁶ *Id.* at 61.

²⁷ Zhongqi Zhou, *Judicial Protection of Patent Rights*, MANAGING INTELL. PROP. CHINA IP FOCUS 2004 (Jan. 2004) at 43, <http://www.managingip.com/?Page=17&PUBID=199&ISS=12717&SID=473365&SM=&SearchStr=Zhongqi%20Zhou%20C%20Judicial%20protection%20of%20patent%20rights>.

²⁸ Zhang, *supra* note 20, at 61.

²⁹ Zhou, *supra* note 27, at 43.

³⁰ *Id.*

³¹ Zhang, *supra* note 20, at 60.

³² *Id.* at 61.

³³ Zhou, *supra* note 27, at 43.

³⁴ *Id.*

³⁵ Zhang, *supra* note 20, at 62.

³⁶ See Zhou, *supra* note 27, at 46.

regulations.³⁷ However, because of the novelty and complexity of IP cases, Chinese judges sometimes look to prior cases for guidance despite their non-binding authority.³⁸ The Supreme People's Court also performs a quasi-legislative role by issuing judicial interpretations of certain legislative acts. These legally binding interpretations are meant to offer guidance to the lower courts regarding the legislation.³⁹

B. Sources of Chinese IP Law

The overarching Chinese governmental administrative agency responsible for IP matters is the State Intellectual Property Office ("SIPO").⁴⁰ China recognizes four IP causes of action: (1) patent infringement,⁴¹ (2) copyright infringement,⁴² (3) trademark infringement,⁴³ and (4) trade secret infringement.⁴⁴ Because of the technical nature of

³⁷ GAO, *supra* note 15, at 21.

³⁸ Zhou, *supra* note 27, at 46.

³⁹ *Id.* at 43.

⁴⁰ GAO, *supra* note 15, at 12.

⁴¹ Patent Law of the People's Republic of China (Zhonghua Renmin Gonghe Guo Zhuanli Fa (Xiuzheng)) (adopted at the 4th Meeting of the Standing Committee of the Sixth National People's Congress on Mar. 12, 1984, amended in accordance with the Decision of the Standing Committee of the Seventh National People's Congress on Amending the Patent Law of the P.R.C. at its 27th Meeting on Sept. 4, 1992, amended again in accordance with the Decision of the Standing Committee of the Ninth National People's Congress on Amending the Patent Law of the P.R.C. adopted at its 17th Meeting on Aug. 25, 2000), art. 11, (P.R.C.) [hereinafter "P.R.C. Patent Law"], available at http://www.sipo.gov.cn/sipo_English/flfg/zlflfg/t20020327_33872.htm.

⁴² Copyright Law of the People's Republic of China (Zhonghua Renmin Gonghe Guo Zhuduo Quanfa) (adopted at the 15th Session of the Standing Committee of the Seventh National People's Congress on Sept. 7, 1990, and revised in accordance with the Decision on the Amendment of the Copyright Law of the People's Republic of China adopted at the 24th Session of the Standing Committee of the Ninth National People's Congress on Oct. 27, 2001), art. 46 (P.R.C.) [hereinafter "P.R.C. Copyright Law"], available at http://www.sipo.gov.cn/sipo_English/flfg/xgflfg/t20020416_34754.htm.

⁴³ Trademark Law of the People's Republic of China (REVISED) (Zhonghua Renmin Gonghe Guo Shangbiao Fa (Xiuzhen), Di Sanshiba Tiao) (adopted at the 24th Session of the Standing Committee of the Fifth National People's Congress on Aug. 23, 1982, revised by the 30th Session of the Standing Committee of the Seventh National People's Congress on Feb. 22, 1993, and effective Jul. 1, 1993, and revised for the second time according to the Decision on the Amendment of the Trademark Law of the People's Republic of China adopted at the 24th Session of the Standing Committee of the Ninth National People's Congress on Oct. 27, 2001), art. 52 (P.R.C.) [hereinafter "P.R.C. Trademark Law"], available at http://www.sipo.gov.cn/sipo_English/flfg/xgflfg/t20020416_34755.htm.

⁴⁴ Law Against Unfair Competition of the People's Republic of China, (Zhonghua Renmin Gonghe Guo Fan Bu Zhendang Jingzheng Fa) (adopted at the 3rd Session of the Standing Committee of the Eighth National People's Congress on Sept. 2, 1993. Promulgated by Order No.10 of the President of the People's Republic of China on

patent disputes, the Supreme People's Court requires that patent cases of first instance be initiated at an intermediate people's court.⁴⁵ This allows for an appeal to the Higher People's Court of proper jurisdiction. An acceptance fee, proportionate to the amount in dispute, is required when filing a lawsuit in China.⁴⁶ The jurisdiction of an intermediate court is "the place where the infringing acts occur or where defendant is registered or domiciled."⁴⁷ Specifically, "[t]he place where the infringing acts occur includes the places where the infringing goods are manufactured, used, offered for sale, or exported, and the places where the results of the aforesaid acts occur."⁴⁸

A foreigner seeking to enforce IP rights must engage a designated agent.⁴⁹ One must note that patent and trademark agents are not licensed lawyers.⁵⁰ Only local Chinese counsel, not designated agents, may file lawsuits in China.⁵¹ Care must be taken by practitioners to avoid confusion between designated agents and local counsel, as many Chinese "patent agents call themselves patent attorneys."⁵² Thus, both a designated agent and local counsel are required for proper IP registration with the respective Chinese agencies.

After discovering infringement, it is crucial to ascertain the background of the infringing party and the circumstances surrounding the infringement before taking administrative or judicial action.⁵³ The best way to establish the identity and workings of an infringing party is through an IP investigation firm.⁵⁴ Conveniently, Hong Kong is home to many of the most reputable IP investigation firms who generally have offices in China.⁵⁵

Foreign IP rights holders will typically find their rights infringed in six types of Chinese enterprises: (1) individually-owned enterprises, (2) Hong Kong invested companies, (3) state-owned enterprises, (4) trading companies, (5) import and export companies, and (6) domestic wholesalers and retailers.⁵⁶

Sept. 2, 1993 and Effective as of Dec. 1, 1993), art. 10 (P.R.C.), available at http://www.sipo.gov.cn/sipo_English/flfg/xgflfg/t20020420_34756.htm.

⁴⁵ Zhang, *supra* note 20, at 64.

⁴⁶ GAO, *supra* note 15, at 14.

⁴⁷ Hailin Zou & Lina Xie, *The Development of China's IP Laws*, MANAGING INTELL. PROP. CHINA IP FOCUS 2004, Jan. 2004, at 20, <http://www.managingip.com/?Page=17&PUBID=199&ISS=12717&SID=473361&SM=&SearchStr=Hailin%20Zou%20and%20Lina%20Xie>.

⁴⁸ *Id.*

⁴⁹ GAO, *supra* note 15, at 17.

⁵⁰ *Id.* at 18.

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.* at 19.

⁵⁴ *Id.*

⁵⁵ GAO, *supra* note 15, at 19

⁵⁶ *Id.* at 24.

IV. MAJOR CENTERS OF INFRINGING GOODS

The map on the following page depicts the major markets for counterfeit goods.⁵⁷

[T]here are at least five major wholesale distribution markets in China for counterfeit goods: Hanzhen Jie in Wuhan City, Hubei Province; Linyi Market in Linyi, Shandong Province; Nansantiao Market in Shijia Zhuang in Hebei Province; China Small Commodities City in Yiwu City, Zhejiang Province; and Wuai Market in Shenyang, Liaoning Province.⁵⁸

The largest of these markets is the China Small Commodities City in Yiwu City, Zhejiang Province.⁵⁹ These markets are established and regulated by the local Administration for Industry and Commerce (“AIC”).⁶⁰

⁵⁷ Chow, *supra* note 17, at 477.

⁵⁸ *Id.*

⁵⁹ *Id.* at 480.

⁶⁰ Congressional-Executive Commission on China (May 16, 2005), <http://www.cecc.gov/pages/roundtables/051605/Chow.php>.

Conversely, the bulk of counterfeit manufacturing in China occurs near Hong Kong in the southeastern provinces of Fujian and Guangdong.⁶¹

V. TRADEMARK PROTECTION

A. Overview

Using trademarks is thought to be the most effective tool against infringement in China.⁶² This is because it is easier for the trademark authorities to identify an infringing mark, rather than patent and copyright infringements, which require more time-consuming administrative review.⁶³ Hence, trademark registration is essential to full IP protection.

B. Requirements for Registering a Trademark

As per Article 8 of the P.R.C. Trademark Law, “any visual sign capable of distinguishing the goods or services of one . . . from that of others” may be registered as a trademark.⁶⁴ The requirements and grounds for refusal of a trademark in China mirror those in the United States. Specifically, no mark shall be issued for a nation or governmental organization’s name, flag, or emblem.⁶⁵ Other grounds for refusing a trademark include functional, fraudulent, immoral, generic, or characteristic marks.⁶⁶ China recognizes descriptive trademarks once secondary meaning has been established via commercial use.⁶⁷ Additionally, geographical indicators are protected under Chinese Trademark Law.⁶⁸

C. What Constitutes Trademark Infringement

Article 52 of the P.R.C. Trademark Law sets forth five actions which constitute trademark infringement: (1) using a trademark that is identical or similar to a registered trademark (2) selling goods that knowingly infringe another’s registered trademark, (3) counterfeiting or making, without authorization, representations of another’s registered trademark, (4) replacing another’s registered trademark without authorization, and (5) causing prejudice to the rights of another’s registered

⁶¹ Chow, *supra* note 17, at 474.

⁶² Chow, *supra* note 7.

⁶³ *Id.*

⁶⁴ See P.R.C. Trademark Law, art. 8.

⁶⁵ *Id.* art. 10.

⁶⁶ *Id.* art. 10, 11.

⁶⁷ Yi Wang, *Latest Developments in Trade Mark Law*, MANAGING INTELL. PROP. CHINA IP FOCUS 2004, Jan. 2004 at 31, 32, <http://www.managingip.com/?Page=17&PUBID=199&ISS=12717&SID=473363&SM=&SearchStr=Latest%20developments%20in%20trade%20mark%20law>.

⁶⁸ See P.R.C. Trademark Law, art. 10; Wang, *supra* note 67, at 34.

trademark.⁶⁹ Complementing the Trademark Law is Article 41 of the Trademark Law Implementing Rules, which holds that, (1) knowingly dealing in infringing goods, (2) using any sign that is similar to the registered trademark of another, or (3) willfully storing, transporting, or concealing infringing goods also constitute trademark infringement.⁷⁰

D. *Choosing a Trademark in China*

In addition to registering the original trademark, foreign trademark holders may wish to identify their products and services to Chinese consumers using Chinese characters.⁷¹ Despite different spoken Chinese dialects, a Chinese character trademark is a symbol understood by all Chinese consumers.⁷² Adopting a Chinese character trademark removes a language barrier, improves recognition of a trademark and enables the products to reach a wider market.⁷³ Registering a trademark in Chinese also serves to maintain the goodwill of the mark within China. Otherwise, if a foreign product is sold without a Chinese trademark, Chinese consumers will adopt their own name for the product.⁷⁴

As a defense mechanism, foreign trademark holders may register Chinese character versions of “foreign” trademarks as soon as their product enters the market. Roman character trademarks can be translated into Chinese character trademarks by either: (1) literally translating the concept of the Roman trademark, or (2) translating the phonetic sound of the Roman trademark.⁷⁵ Any translation, whether phonetic or literal, should be reviewed by a native Chinese reader to ensure that no unintended translation results. Chinese is also written in simplified and traditional characters. Thus, foreign trademark holders should file separate trademark registrations for both versions. In sum, foreign trademark holders should register and use the following three trademarks: (1) the original Roman trademark, (2) the newly created simplified Chinese trademark, and (3) the newly created traditional Chinese trademark.

⁶⁹ P.R.C. Trademark Law, art. 52.

⁷⁰ See TRADEMARK LAW IMPLEMENTING RULES (Zhonghua Renmin Gonghe Guo Shangbiao Fa Shishi Xize, Di Sishiyi Tiao) (promulgated May 12, 1995) art. 41 [hereinafter “P.R.C. Trademark Law Implementing Rules”]; Chow, *supra* note 16, at 449, n.7.

⁷¹ See generally Lindsay B. Esler, Protection of Trademarks in Chinese Characters, (unpublished comment) (2002), http://www.deaconslaw.com/eng/knowledge/knowledge_125.htm (arguing that the failure to use Chinese characters to identify a foreign trademark severely limits market penetration in China).

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

E. Administrative Remedies

Articles 53 and 54 of the P.R.C. Trademark Law enable the AIC to aid trademark registrants or interested parties to stop infringement of their trademarks.⁷⁶ Additionally, the Technical Supervision Bureau (“TSB”), exercises enforcement power over counterfeit products under P.R.C. Consumer Protection Law or P.R.C. Product Quality Law.⁷⁷ In practice, the AIC is the relevant authority with exclusive jurisdiction over the investigation and enforcement of trademarks.⁷⁸ Unlike the U.S. ‘first-to-use’ system, China’s trademark system is a ‘first-to-register’ regime.⁷⁹ As such, designated agents must file trademark infringement petitions with the AIC.⁸⁰

Once infringement is exposed, the usual first step is for an investigation company to conduct an investigation and detail a raid plan.⁸¹ The infringed company may then assemble an infringement petition and present it to the local AIC, who conducts a raid of the plant or facility where the infringing goods are manufactured or stored.⁸² An infringement petition must contain the following information: (1) “[a] brief description of the background of the intellectual property owner,” (2) “a brief description of the infringer and circumstances of the infringement,” (3) the relevant law and reasoning, (4) IP registration certificates, and (5) power of attorney.⁸³

If the AIC determines that the goods in question did in fact infringe, the goods will be confiscated.⁸⁴ The AIC may order the goods, the tools for making the goods, or the tools for making the infringing trademark to be destroyed.⁸⁵ Although, in most cases, the goods and any tools for making the goods will be auctioned off publicly.⁸⁶ Unfortunately, the infringer, his associates, or others seeking to enter the illegal trade may purchase the items.⁸⁷ Thus, trademark owners may attend auctions to buy and destroy infringing goods and tools.

Damages for trademark infringement are the “profit that the infringer has earned . . . or the injury that the infringe has suffered from the infringement . . . including the appropriate expenses of the infringe for

⁷⁶ See P.R.C. Trademark Law, art. 53, 54.

⁷⁷ Daniel C.K. Chow, *Counterfeiting in the People’s Republic of China*, 78 WASH. U. L.Q. 1, 22 (2000).

⁷⁸ See P.R.C. Trademark Law, art. 54, 55; *id.* at 23.

⁷⁹ See generally Lindsay B. Esler, Chinese Character Trade Marks, (unpublished comment) (2000), http://www.deaconslaw.com/eng/knowledge/knowledge_84.htm.

⁸⁰ GAO, *supra* note 15, at 18.

⁸¹ Chow, *supra* note 16, at 455.

⁸² *Id.*

⁸³ GAO, *supra* note 15, at 41.

⁸⁴ Chow, *supra* note 16, at 456.

⁸⁵ See P.R.C. Trademark Law, art. 53.

⁸⁶ See P.R.C. Trademark Law Implementing Rules, art. 43(iii)

⁸⁷ Chow, *supra* note 16, at 457.

stopping the infringement.”⁸⁸ Additionally, the AIC has the authority to inflict fines, payable to the Chinese government, of up to fifty percent of the illegal turnover or up to five times the profit of the infringing activity.⁸⁹ However, damages may only be compelled if the infringed company takes the AIC’s decision to the People’s Court to be validated.⁹⁰ In comparison, although there are no administrative remedies in the U.S., a plaintiff in a U.S. trademark action is entitled to recover “(1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.”⁹¹ Alternatively, a U.S. plaintiff in a trademark action may elect statutory damages of between \$500 and \$100,000 for non-willful infringement, and up to \$1,000,000 for willful violations.⁹²

F. *Litigation*

When an interested party in an administrative action is dissatisfied with the decision, the party may, within fifteen days of the receipt of the notice, institute legal proceedings in the People’s Court.⁹³ Practitioners feel the quality of the Chinese judicial proceedings has greatly improved in recent years, citing better-trained and less biased judges.⁹⁴

Prior to filing a lawsuit, trademark holders may file a preliminary injunction to stop infringers and preserve evidence.⁹⁵ Specifically, Article 58 of the P.R.C. Trademark Law, and the Supreme People’s Court’s Legal Explanation on Stopping Trade Mark Infringement Activity Prior to Court Proceedings authorize preliminary injunctions.⁹⁶ The trademark owner, licensee, and legitimate successors to proprietary rights are all eligible to petition a court of competent jurisdiction for an injunction.⁹⁷ Licensees involved in exclusive license contracts may make a petition on their own subject to the condition that the rights owner does not also petition for the same.⁹⁸

⁸⁸ See P.R.C. Trademark Law, art. 56.

⁸⁹ See P.R.C. Trademark Implementing Rules, art. 43; Chow *supra* note 77, at 35.

⁹⁰ GAO, *supra* note 15, at 43.

⁹¹ 15 U.S.C. § 1117(a) (2000).

⁹² *Id.* § 1117(c).

⁹³ See P.R.C. Trademark Law, art. 50, 53.

⁹⁴ Esler & Tsoi, *supra* note 6, at 6.

⁹⁵ Lu Guogiang, *Injunctive Relief in China: A Judicial Perspective*, MANAGING INTELL. PROP. CHINA IP FOCUS 2004, Jan. 2004, at 4, <http://www.managingip.com/?Page=17&PUBID=199&ISS=12717&SID=473359&SM=&SearchStr=injunctive%20relief%20in%20china%20a%20judicial%20perspective>.

⁹⁶ See P.R.C. Trademark Law, art. 58; Huang Hui & Huang Yibiao, *China and the Art of Trade Mark Litigation*, MANAGING INTELL. PROP. CHINA IP FOCUS 2005, Jan. 2005, <http://www.managingip.com/?Page=17&ISS=12730&SID=495723>.

⁹⁷ Lu, *supra* note 95, at 5.

⁹⁸ *Id.*

A successful petition for a preliminary injunction must satisfy three requirements. First, “[t]he petitioner must submit valid documents to prove that he or she owns the rights, including certificates of the rights.”⁹⁹ Second, the petitioner must submit evidence of committed or threatened infringement on the part of the respondent, including products or commodities alleged to be infringed.”¹⁰⁰ Third, the petitioner must post a bond, which may be increased if the injunction threatens to seriously injure the respondent’s business if acquitted.¹⁰¹ Additionally, per the Procedures of the People’s Courts for Charging Adjudication Fees and its Supplementary Provisions, a filing fee of RMB500 to 1,000 (\$62-124) is charged for each case of IP rights disputes where no amount of money is specified.¹⁰²

The court will consider the merits of the petition and the effects of a preliminary injunction and render a decision within forty-eight hours of receiving the petition.¹⁰³ Once the injunction is issued, the court will notify the petitioner within five days.¹⁰⁴ Petitioners must bring suit within fifteen days of the issuance of the preliminary injunction, otherwise the court will lift the injunction.¹⁰⁵ However, some experts believe that preliminary injunctions are harder to obtain than Chinese law purports.¹⁰⁶

“There is no need to engage a designated agent when filing a lawsuit in the People’s Court [for trademark cases].”¹⁰⁷ “To file a lawsuit, the following documents must be provided: (a) business license or certificate of incorporation of the intellectual property right owner; (b) power of attorney; (c) legal representative certificate; (d) pleadings; (e) evidence to support a prima facie case; and (f) trademark certificates.”¹⁰⁸ These documents must be translated and notarized by the Chinese embassy with jurisdiction over the trademark owner’s country of residence.¹⁰⁹

One of the main obstacles to successful litigation in a Chinese trademark case is production of evidence.¹¹⁰ This is because once the AIC has seized infringing goods, it tends to auction off the infringing goods, rather than transfer the evidence to the People’s Court.¹¹¹ Moreover, some

⁹⁹ *Id.* at 6.

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² *Id.* at 13.

¹⁰³ See P.R.C. Trademark Law, art. 58.

¹⁰⁴ Lu, *supra* note 95, at 6.

¹⁰⁵ See P.R.C. Trademark Law, art. 58.

¹⁰⁶ Chow, *supra* note 16, at 466.

¹⁰⁷ GAO, *supra* note 15, at 18.

¹⁰⁸ *Id.* at 47.

¹⁰⁹ *Id.*; Lu, *supra* note 95, at 10.

¹¹⁰ Chow, *supra* note 16, at 466.

¹¹¹ *Id.* at 467.

courts will not accept jurisdiction if the case is still pending administrative proceedings.¹¹²

Damages are either the loss suffered by the trademark owner or the profit gained by the infringer, including appropriate expenses incurred in stopping the infringement.¹¹³ Where the damages are not fully quantifiable, the relevant statute mandates damages of up to RMB500,000 (\$61,728) per count.¹¹⁴ However, compensation under Chinese law is generally low compared to western standards, as damages in litigation are the same as those given in administrative actions.¹¹⁵

G. Criminal Sanctions

If an infringement case is found to be “so serious as to have constituted a crime” it will be transferred to the judicial branch.¹¹⁶ Practitioners in China do believe that the civil legal system has become more sophisticated.¹¹⁷ However, because civil judgments do not provide enough deterrent to stop large-scale repeat infringers, criminal sanctions are available.¹¹⁸ The Chinese Criminal Law Amendments of 1997 set out a specific chapter for IP crimes, which has proven very effective.¹¹⁹ For serious IP infringement, prison sentences between three and seven years are imposed, while less serious offenses bring sentences of up to three years.¹²⁰

H. Industry Wide Measures

Pressuring the Chinese government for more rigorous enforcement of IP laws is also necessary for long-term success against trademark infringement. One option is to join the Quality Brands Protection Committee (“QBPC”), which lobbies the Chinese government and educates the public and officials about the detriments of counterfeiting.¹²¹ The

¹¹² *Id.*

¹¹³ See P.R.C. Trademark Law, art. 56.

¹¹⁴ *Id.*

¹¹⁵ Chow, *supra* note 16, at 467.

¹¹⁶ See P.R.C. Trademark Law, art. 54.

¹¹⁷ Tim Browning & Carol Wang, *Ten Years of Enforcement in China*, MANAGING INTELL. PROP. CHINA IP FOCUS 2004, Jan. 2004, at 40, <http://www.managingip.com/?Page=17&PUBID=199&ISS=12717&SID=473364&SM=&SearchStr=Tim%20Browning%20and%20Carol%20Wang%2C%20Ten%20years%20of%20enforcement%20in%20China>.

¹¹⁸ *Id.*

¹¹⁹ *Id.*

¹²⁰ *Id.*

¹²¹ Ralph Cunningham, *Brand Owners Confront Counterfeiting Threat*, MANAGING INTELL. PROP. CHINA IP FOCUS, 2004, Jan. 2004, at 14, <http://www.managingip.com/?Page=17&PUBID=199&ISS=12717&SID=473360&SM=&SearchStr=Ralph%20Cunningham%2C%20Brand%20owners%20confront%20counterfeiting%20threat>.

QBPC meets with senior government officials to pressure them to enforce trademark laws. To encourage officials to take counterfeiting seriously, the QBPC holds an annual award ceremony to highlight model cases of IP protection.¹²² For example, at the 2003 event, the QBPC gave an award to the Fujian Provincial Public Safety Bureau for the best cases of IP rights protection.¹²³

VI. PATENT PROTECTION

A. Overview

Chinese patent law recognizes the following three kinds of patents: (1) invention, (2) utility model, and (3) design.¹²⁴ A patentable invention or utility model “must possess novelty, inventiveness and practical applicability [sic].”¹²⁵ Design patents “must not be identical with and similar [sic] to any design which, before the date of filing, has been publicly disclosed in publications in the country or abroad, or has been publicly used in the country.”¹²⁶

Similar to U.S. patent law, Chinese patent law provides that no entity may make, use, offer for sale, sell, or import a patented invention, utility model, or design.¹²⁷ Article 57 of the P.R.C. Patent Law sets forth that “exploiting a patent without the authorization of the patentee constitutes . . . infringement.”¹²⁸

B. Administrative Remedies

Generally, administrative authorities are the best avenue to stop clear-cut patent infringement.¹²⁹ Within the SIPO is the Patent Office, which is the organization that oversees patents.¹³⁰ Designated agents are generally responsible for submitting patent applications to the Patent Office.¹³¹ Each province and the large city have an Administrative

¹²² *Id.* at 16.

¹²³ *Id.*

¹²⁴ P.R.C. Patent Law, art. 2.

¹²⁵ *Id.* art. 22.

¹²⁶ *Id.* art. 23.

¹²⁷ P.R.C. Patent Law, art. 11; Patent Act § 271, 35 U.S.C. § 271 (2000).

¹²⁸ Xiaoguang Yang & Xuemin Chen, *Administrative Actions Can Aid Enforcement*, in MANAGING INTEL. PROP. CHINA IP FOCUS 2004, Jan. 2004, at 49, <http://www.managingip.com/?Page=17&PUBID=199&ISS=12717&SID=473366&SM=&SearchStr=Administrative%20actions%20can%20aid%20enforcement>; *see generally*, P.R.C. Patent Law, art. 57.

¹²⁹ *Id.* at 49.

¹³⁰ GAO, *supra* note 15, at 12; SIPO Organizational Chart, http://www.sipo.gov.cn/sipo_English/gysipo_e/jgjs/t20021127_33890.htm.

¹³¹ GAO, *supra* note 15, at 17.

Authority for Patent Affairs (“AAPA”).¹³² “The AAPA is responsible for resolving patent disputes administratively. The AAPA often functions as a mediator or an arbitrator in patent disputes since it has no authority to enforce its own judgments.”¹³³

There are three advantages to resolving a case of IP infringement via administrative action: (1) speed, (2) effectiveness, and (3) low cost. Unfortunately, punishment is not normally harsh.¹³⁴

Once infringement is detected, an infringed company often has an investigation firm conduct an investigation and detail a raid plan, similar to trademark infringement.¹³⁵ The infringed company may then assemble a petition and present it to the local AAPA, who will conduct a raid of the plant or facility where the infringing goods are manufactured or stored.¹³⁶ A petition must contain: (1) “[a] brief description of the background of the intellectual property owner,” (2) “a brief description of the infringer and circumstances of the infringement,” (3) the relevant law and reasoning, (4) IP registration certificates, and (5) power of attorney.¹³⁷

Once a patent holder files a petition with the AAPA, the parties will be ordered to attempt consultations in order to resolve the dispute.¹³⁸ If the parties are not willing to consult with each other or consultation fails, a party may initiate legal proceedings directly in court against the alleged infringer or file a petition to the AAPA for administrative review.¹³⁹ If the AAPA determines that the goods in question did in fact infringe, the infringer will be subject to a fine, payable to the Chinese government.¹⁴⁰ Fines can be up to three times the profit made by the infringer, or, if there are no illegal earnings, RMB50,000 (\$6,500).¹⁴¹ However, compensatory damages may only be compelled if the infringed company takes the AAPA’s decision to the People’s Court for enforcement.¹⁴² By comparison, there is no administrative remedy for patent infringement under U.S. law.

C. Litigation

Although administrative relief may be better suited for smaller patent claims, litigation is thought to be more appropriate for complex cases of patent infringement where the patentees also seek damages.¹⁴³ Some

¹³² *Id.* at 12.

¹³³ *Id.*

¹³⁴ *Id.* at 31-32.

¹³⁵ *Id.* at 36-40.

¹³⁶ *Id.* at 41-43.

¹³⁷ GAO, *supra* note 15, at 41.

¹³⁸ P.R.C. Patent Law, art. 57.

¹³⁹ *Id.*; Zhou, *supra* note 27, at 47.

¹⁴⁰ P.R.C. Patent Law, art. 58.

¹⁴¹ *Id.*

¹⁴² GAO, *supra* note 15, at 43.

¹⁴³ Yang & Chen, *supra* note 128, at 49.

patent infringement cases require a designated agent when filing a lawsuit.¹⁴⁴ This is sometimes necessary because patent infringers often file a petition for a patent invalidity with the Patent Re-Examination Board as a defense.¹⁴⁵ When such a petition is filed, the trial is stayed, pending the decision of the Patent Re-Examination Board.¹⁴⁶ As such, a patent agent must be retained to represent the patentee at the patent invalidity proceedings.¹⁴⁷

Akin to the P.R.C. Trademark Law, under P.R.C. Patent Law, preliminary injunctions are available to stop an infringer before a full trial is complete.¹⁴⁸ The requirements, procedure, and enforcement of an injunction for a patent infringement claim are identical to those required for a trademark infringement injunction.¹⁴⁹

The following documents are required to file a lawsuit: “(a) business license or certificate of incorporation of the intellectual property right owner; (b) power of attorney; (c) legal representative certificate; (d) pleadings; (e) evidence to support a prima facie case; and (f) trademark certificates.”¹⁵⁰ These documents must be notarized by the Chinese embassy with jurisdiction over the IP owner’s country of residence.¹⁵¹

At trial, the plaintiff has the burden of proof and must present evidence in support of his infringement claim.¹⁵² This can be difficult for the plaintiff because China does not have a discovery process.¹⁵³ However, preliminary injunctions may be an avenue for the patentee to collect evidence before trial.¹⁵⁴ As with trademark litigation, foreign country evidence must be notarized by a notary public and authenticated by the local Chinese consulate.¹⁵⁵ A translation company designated by the court should translate foreign language documents and evidence into Chinese.¹⁵⁶ Furnishing the SIPO search report often proves to be effective evidence in establishing ownership of an allegedly infringed utility patent.¹⁵⁷ For process patents filed after January 1, 1993, the defendant has the burden of proving that his product was not manufactured using the patented process if the product is new.¹⁵⁸

¹⁴⁴ GAO, *supra* note 15, at 18.

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ *Id.*

¹⁴⁸ P.R.C. Patent Law, art. 61; Lu, *supra* note 95, at 4; Zhou, *supra* note 27, at 44.

¹⁴⁹ Lu, *supra* note 95, at 4-6.

¹⁵⁰ GAO, *supra* note 15, at 47.

¹⁵¹ *Id.*

¹⁵² Zhou, *supra* note 27, at 44.

¹⁵³ *Id.*

¹⁵⁴ *Id.* at 45.

¹⁵⁵ *Id.*

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ Zhou, *supra* note 27, at 45.

Despite the available process set up by the AAPA, it is generally difficult to get evidence seized by the AIC transferred to the People's Courts for trademark litigation.¹⁵⁹ Thus, it is possible that the AAPA may be equally reluctant to transfer seized evidence over to the courts in patent infringement cases.

An evidentiary hearing is held before trial "where the parties exchange evidence they intend to rely on and explain the relevance of the evidence" to the court.¹⁶⁰ Opposing parties are given the opportunity to object to evidence, and without such examination, evidence is inadmissible.¹⁶¹ Experts and witnesses may also be used to support a party's claims.¹⁶² Jurors, however, are rarely employed in patent cases.¹⁶³

As per the Judicial Interpretations on Application of Laws in Trials of Patent Related Lawsuits, issued by the Supreme People's Court in 2001, Chinese courts are to apply the doctrine of equivalents in patent disputes.¹⁶⁴ Thus, a feature on a similar product "which performs substantially the same function in substantially the same way and achieves substantially the same result" infringes on a pre-existing patent.¹⁶⁵ Chinese courts also follow the doctrine of prosecution history estoppel. "The Beijing High People's Court, the most experienced patent infringement court, acknowledges the application of the doctrine in its Opinions on Several Issues Relating to Patent Infringement Establishment."¹⁶⁶ In China, prosecution history estoppel is an affirmative defense to the doctrine of equivalents.¹⁶⁷ Similar to prosecution history estoppel in U.S. patent litigation, a patentee is estopped from claiming ownership over claims abandoned during the prosecution of the patent. Copies of patent applications, needed to establish the doctrine of equivalents or prosecution history estoppel, can be obtained from the SIPO.¹⁶⁸

China's courts only award compensatory damages.¹⁶⁹ Patent infringement damages are based on "the losses suffered by the patentee or the profits which the infringer has earned through the infringement."¹⁷⁰ In the absence of clear proof of profit or loss, damages may be calculated

¹⁵⁹ Chow, *supra* note 16, at 467.

¹⁶⁰ Zhou, *supra* note 27, at 45.

¹⁶¹ *Id.*

¹⁶² *Id.*

¹⁶³ *Id.*

¹⁶⁴ *Id.*

¹⁶⁵ *Id.* at 46.

¹⁶⁶ Zhou, *supra* note 27, at 46.

¹⁶⁷ *Id.*

¹⁶⁸ *Id.*

¹⁶⁹ *Id.* at 44.

¹⁷⁰ P.R.C. Patent Law, art. 60.

based on a multiple of the contractual licensing fee.¹⁷¹ The court has discretion over the method used to calculate damages.¹⁷²

In comparison, under U.S. patent law, prevailing parties may receive (1) injunctions, (2) damages, and (3) attorneys' fees.¹⁷³ Moreover, courts may award an injunction "in accordance with the principals of equity."¹⁷⁴ Damages shall be awarded in an amount not less than "a reasonable royalty for the use made of the invention by the infringer, together with interest and costs."¹⁷⁵ Finally, "[U.S.] court[s] in exceptional cases may award reasonable attorney fees to the prevailing party."¹⁷⁶

Practitioners feel that "lawsuit[s] can be used to recover damages from [a patent] infringer, [but they are] costly to file. Thus, unless there is a significant amount in dispute or there is a high likelihood of recovery from the infringer, [patentees] often find[] the legal fees higher than the recovery."¹⁷⁷ Therefore, patentees seldom seek litigation as a remedy barring a significant amount at stake.

D. Criminal Sanctions

Chinese patent law provides for criminal prosecution "[w]here the [patent] infringement constitutes a crime."¹⁷⁸ As discussed in the trademark criminal sanctions section, the circumstances that constitute criminal patent infringement are set out in the Chinese Criminal Law amendments of 1997; practitioners believe these provisions have been effective.¹⁷⁹

VII. COPYRIGHT PROTECTION

A. Overview

Foreigners are eligible for copyrights on their works if they were the first to publish the work in China.¹⁸⁰ As is the case in the U.S., registering a copyright with the Chinese authorities may ease the process of copyright enforcement. There is no need to reinvent the wheel by having a U.S. attorney learn and go through the process of registering a copyright in China. Rather, as is the case with trademark and patent disputes, U.S.

¹⁷¹ *Id.*

¹⁷² GAO, *supra* note 15, at 48.

¹⁷³ 35 U.S.C. §§ 283-285 (2000).

¹⁷⁴ *Id.* § 283.

¹⁷⁵ *Id.* § 284.

¹⁷⁶ *Id.* § 285.

¹⁷⁷ GAO, *supra* note 15, at 49-50.

¹⁷⁸ P.R.C. Patent Law, art. 58.

¹⁷⁹ Browning & Wang, *supra* note 117, at 40.

¹⁸⁰ Chen & Yang, *supra* note 128, at 50.

practitioners frequently obtain an IP lawyer in the United States, who then retains a partner law firm in China to handle the copyright registration.¹⁸¹

Under Chinese copyright law one is guilty of infringement if he: (1) reproduces or distributes a copyrighted work without the permission of the copyright holder, (2) publishes a book whose rights belong to another, (3) reproduces or distributes a video or sound recording of a performance without the permission of the performer, (4) reproduces or distributes a video or sound recording produced by another without the permission of the producer, (5) broadcasts a video or sound recording without the permission of the television or radio station, (6) intentionally circumvents anti-copying devices, (7) intentionally deletes or alters the electronic right management information of a work, video, or sound recording without the permission of the copyright holder, or (8) produces or sells a work where the signature of another is counterfeited.¹⁸² Copyright violations can be pursued administratively, judicially, or criminally.

B. *Administrative Remedies*

The most effective way to enforce rights in a copyrighted product is to affix a trademark to it and pursue the enforcement of the trademark.¹⁸³ Enforcing a trademark is more effective because administrative authorities are reluctant to make a determination as to whether the plaintiff's work is 'original' and whether the two works of authorship are 'substantially similar.'¹⁸⁴

Moreover, Chinese copyright law holds that "[c]opyright owners, in exercising their copyright, shall not violate the Constitution or laws or prejudice the public interests."¹⁸⁵ With this 'public interest' restriction, the copyright administrative authorities are even less likely to take action against copyright infringers.¹⁸⁶ Thus, it may be better to seek judicial remedies for cases of pure copyright infringement.

C. *Litigation*

"Anyone who commits . . . [copyright] infringement shall bear civil liability for such remedies as ceasing the infringing act, eliminating the effects of the act, making an apology or paying compensation for damages."¹⁸⁷ However, prior to filing a lawsuit, copyright holders may file an injunction to stop infringers. P.R.C. Copyright Law provides that if a

¹⁸¹ Chow, *supra* note 7.

¹⁸² P.R.C. Copyright Law, art. 47.

¹⁸³ Chow, *supra* note 7.

¹⁸⁴ *Id.*

¹⁸⁵ P.R.C. Copyright Law, art. 4.

¹⁸⁶ Chen & Yang, *supra* note 128, at 51.

¹⁸⁷ P.R.C. Copyright Law, art. 46.

copyright owner has evidence that another may infringe the copyright, and that infringement would cause “irreparable injury . . . if not stopped immediately,” the copyright holder may apply to the People’s Court for a preliminary injunction.¹⁸⁸ Additionally, a copyright holder may apply to the People’s Court for an order to preserve evidence upon the posting of a guaranty.¹⁸⁹

Where a copyright is infringed, the infringer shall pay the copyright holder damages in the amount of the actual injury suffered.¹⁹⁰ If the actual injury suffered is difficult to compute, damages will be based on the unlawful income of the infringer.¹⁹¹ In the event that no injury or profit can be determined, the People’s Court will award damages not exceeding RMB500,000 (\$61,728).¹⁹² Additionally, the copyright administrative authorities may: (1) order the infringer to make an apology, (2) order the infringer to cease infringement, (3) confiscate unlawful income, (4) confiscate and destroy infringing reproductions, (5) imposing a fine, or (6) refer the infringer to the prosecutors for criminal liability in serious cases.¹⁹³

Comparatively, U.S. copyright law provides for (1) injunctions, (2) destruction of tools used to infringe upon a copyright, (3) damages, (4) attorney fees, and (5) criminal sanctions in cases where a copyright has been infringed.¹⁹⁴ Injunctions may be granted, “on such terms as [the court] may deem reasonable to prevent or restrain infringement of a copyright.”¹⁹⁵ A U.S. court may order the destruction of all “articles by means of which such copies or phonorecords may be reproduced.”¹⁹⁶ Copyright owners may recover either (1) actual damages and any additional profits of the infringer, or (2) statutory damages of up to \$150,000 for willful violations.¹⁹⁷ Additionally, at the court’s discretion, a prevailing party may “recover full costs . . . [and] reasonable attorney’s fee[s].”¹⁹⁸

D. Criminal Sanctions

Criminal prosecution of copyright infringement is available “if the act constitutes a crime.”¹⁹⁹ Under those circumstances, “the infringer shall be prosecuted for his criminal liability.”²⁰⁰ As with trademark and patent

¹⁸⁸ *Id.* art. 49.

¹⁸⁹ *Id.* art. 50.

¹⁹⁰ *Id.* art. 48.

¹⁹¹ *Id.*

¹⁹² *Id.*

¹⁹³ P.R.C. Copyright Law, art. 47

¹⁹⁴ 17 U.S.C. §§ 502-506 (2000).

¹⁹⁵ *Id.* § 502.

¹⁹⁶ *Id.* § 503.

¹⁹⁷ *Id.* § 504.

¹⁹⁸ *Id.* § 505.

¹⁹⁹ *See* P.R.C. Copyright Law, art. 47.

²⁰⁰ *Id.*

criminal sanctions sections, practitioners believe the criminal sanctions for copyright violations have been effective.²⁰¹ U.S. copyright law sets forth criminal penalties of up to five years in prison for first-time copyright infringers if the infringing materials have a total retail value of at least \$2,500.²⁰²

VIII. CONCLUSION

In sum, the Chinese IP system is different but navigable. Building a seamless legal team domestically and in China provides IP rights holders with a framework to manage their IP portfolios. U.S. companies often seek out domestic counsel to act as macro-level managers of their client's entire IP range. As a general rule, domestic counselors should partner with local counsel in China who possess a keen understanding of Chinese laws and customs. The Chinese local counsel then micro-manage the designated agents, investigators, and administrative and legal proceedings.

Trademark enforcement seems to be the dominant strategy for enforcing IP rights because trademark administrative authorities are more competent than their patent and copyright counterparts. Administrative and judicial determinations of trademark infringement are more clear-cut than patent or copyright cases. Therefore, the most common method of enforcing IP rights in a patentable or copyrightable product is to affix a registered trademark to the product and pursue protection through administrative or judicial enforcement of the trademark.

Petitioning the administrative authorities has emerged as the preeminent avenue for stopping IP infringement. Generally, administrative authorities can act quickly to confiscate and penalize infringers. There is reluctance, however, if not inability, on the part of the administrative authorities to provide compensation to the IP rights holder. At present, the Chinese judicial system seems overly cumbersome and under-compensatory in resolving cases of IP infringement. Thus, the majority of IP rights owners settle for simply stopping infringement and swallowing the losses or writing off lost profits.

²⁰¹ Browning & Wang, *supra* note 117, at 40.

²⁰² 17 U.S.C. § 506 (2000); 18 U.S.C. §2319(b)(1) (2000).

